COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Methods and Procedures to)

Evaluate and Approve) D.T.E. 98-100

Energy Efficiency Programs)

COMMENTS OF THE LOW-INCOME FUEL ASSISTANCE AND WEATHERIZATION NETWORK, ET AL.

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This is the Comment of Massachusetts Community Action Program Directors Association (MASSCAP), Low-Income Energy Affordability Network (LEAN), Action Energy Inc., and South Middlesex Opportunity Council Inc. (SMOC) (collectively, Low-Income Fuel Assistance and Weatherization Network). It responds to the Commission=s Order Promulgating Proposed Guidelines To Evaluate and Approve Energy Efficiency Programs (November 3, 1999).

The Network is the legislatively-designated entity that implements the Commonwealth=s low-income electricity efficiency programs. Most of its members are community action programs, including Action and SMOC, whose statewide association is MASSCAP. Most of the statewide coordination of the low-income efficiency programs has been delegated by the Network to a group of its members organized as LEAN.

I. INTRODUCTION

The Massachusetts CAP Directors Association (AMASSCAP≅), Low-Income Energy Affordability Network (ALEAN≅), Action Energy, and South Middlesex Opportunity Council (ASMOC≅) (collectively, ALow-Income Fuel Assistance and Weatherization Network≅) thank the Department of Telecommunications and Energy (ADepartment≅) for the opportunity to comment on its Order and Proposed Guidelines in D.T.E. 98-100. The Order and Proposed Guidelines reflect considerable time and thought on the parts of Department Commissioners and Staff. However, provisions of the Department=s Order and Proposed Guidelines, if adopted in Final Guidelines, would dramatically reduce confidence in the consensus and Settlement decision-making process that the Department has successfully facilitated in the past, while creating significant and undue administrative burden through their rejection of the application of the consensus benefits adders as proposed by the Joint Commenters.

While the Department=s Order and Proposed Guidelines address a number of important issues and concerns, the Low-Income Advocates will focus here primarily on the substantive and procedural issues regarding the Department=s treatment of the consensus Low-Income non-energy benefits adders recommended previously by the Joint Commenters. However, the Low-Income Advocates hereby reaffirm their strong support of the previous filing of the Joint Commenters in this proceeding, and particularly of the application of the consensus adders to account for the real and significant environmental and economic development benefits associated with delivery of effective energy efficiency programs.

A Non-Energy Benefit Avoided Cost Adder reflects the ratio of the estimated present value in dollar terms of the benefit to total program costs (which equal avoided energy benefits where the benefit cost ratio is 1.0). This ratio is then added to a utility's avoided cost during a cost-effectiveness test of a specific DSM measure or program. This method of calculating and applying an adder allows for a consistent accounting of non-energy benefits irrespective of a utility's particular avoided cost. The adder is intended to provide a framework to be used in the development and evaluation of utility DSM programs, and for the accounting of benefits beyond those directly related to energy savings.

II. UTILITY-SPECIFIC ADJUDICATION OF LOW-INCOME BENEFITS WOULD UNNECESSARILY DIVERT RESOURCES FROM EFFICIENCY PROGRAMS TO ADMINISTRATION

In its rejection of the application of the consensus Low-Income adder, the Department states that Aprogram administrators *must* include the specific benefits associated with reductions in their own costs directly arising from their energy efficiency programs targeted at low-income customers (D.T.E. 98-100 Order at 23, emphasis added.). Further, the Department states that

> Low-Income Benefits shall account for quantifiable cost savings to Distribution Companies that reasonably result from the implementation of Energy Efficiency Programs that are targeted at Low-Income Customers. Low-Income Benefits shall include cost savings from factors such as, but not limited to, (i) reduced account write-offs; (ii) reduced arrearages, late payments, and late payment administrative costs; (iii) reduced shut-off and reconnect charges; (iv) reduced credit and collection expenses; and (v) reductions in the number of low-income rate customers. (D.T.E. 98-100 Proposed Guidelines at iv.)

The intent of the consensus Low-Income adder is to account in a meaningful way for benefits associated with delivery of cost-effective energy efficiency programs and measures without creating undue administrative burden that ultimately results in a reduction of the generation and delivery of those benefits. However, the provisions of the Department=s Order and Proposed Guidelines would place new administrative burden on Low-Income program administrators by *requiring* that separate quantification of all utility (or system) costs be included in each cost-effectiveness analysis. Such quantification is not easily derived on a case-by-case basis. By actually requiring that case-by-case analysis be performed, the Department would add considerable administrative burden and cost to implementation of cost-effective energy efficiency programs. We reiterate our request that the Department adopt Guidelines that incorporate the use of the consensus Low-income adder in order to account for benefits without creating undue administrative burden.

Elsewhere in the Order, the Department approves the saving of administrative costs by NOT requiring utility-specific benefit calculations of joint programs even though utility-specific costs differ from each other (e.g., at 20). The potential benefit of computing a larger low-income benefit is swamped, at least at the present, by the administrative costs of doing so separately for each utility.

At a minimum, the Network requests that the Department allow the use of the proposed low-income benefit adder on an interim basis until utility-specific studies can be completed. As the Joint Filing=s analysis of low-income benefits indicates, the utility-specific studies will require considerable time and resources to complete. If, in the interim, low-income benefits are arbitrarily set at zero only because studies are not completed, opportunities for cost-effective savings will be lost. Noone, least of all the Department, contends that low-income benefits are zero and the Department suggests that they may even be higher than the proposed adder (at 25). It is therefore reasonable and just to adopt a well-founded placeholder value until more specific values can be computed.

III. A GOAL OF REDUCING THE NUMBER OF LOW-INCOME RATE CUSTOMERS IS NOT CONSISTENT WITH THE RESTRUCTURING ACT.

The Network appreciates the Department=s goals of helping low-income families to better afford their electricity bills and of using efficiency measures to lower low-income bills (and thus the total discount provided, since it is a percentage of the bill). However, the language with which these goals are expressed should be more precise.

The Department=s Proposed Guidelines identify as a benefit Areductions in the number of low-income rate customers.≅ (Id.) The Restructuring Act requires that distribution companies conduct outreach to maximize the number of eligible discount rate participants. G.L. c. 164, sec. 1F(4)(i). We respectfully request that the Department strike this reference and instead incorporate into its Guidelines an administratively manageable procedure for accounting for non-energy Low-Income benefits such as increase in the level of disposable income resulting from delivery of effective efficiency programs and measures. Application of the consensus Low-Income adder as proposed by the Joint Commenters is such a procedure.

IV. THE DEFINITION OF LOW-INCOME CUSTOMER IS UNDULY NARROW.

The Department=s Proposed Guidelines define ALow-Income Customers≅ as Athose customers that are eligible to receive service from a

Distribution Company under its low-income tariff or the equivalent.≅ Proposed Guidelines sec. 2(8). The Low-Income Advocates suggest that, for purposes of low-income energy efficiency programming, the definition be modified to also include Aother target populations agreed upon by the Distribution Companies and the Low-Income Energy Affordability Network.≅ Such a modification is necessary to account for households that, for reasons related to housing status (e.g., public housing residents) or other mitigating income circumstances, are not eligible to receive service from a Distribution Company under its low-income tariff.

V. THE RATIONALE FOR REJECTING THE SOCIETAL TEST HAS ITSELF BEEN REJECTED BY THE GENERAL COURT. THE TOTAL RESOURCE COST TEST ADOPTED IN PLACE OF THE SOCIETAL TEST IS INTERNALLY INCONSISTENT.

The Order (at 13-15) rejects the societal test on the ground that the Department has no environmental regulatory authority, citing Massachusetts Electric Co. v. DPU, 419 Mass. 239 (1994); Model Rules and Legislative Proposal, DPU 96-100 (1996); Electric Industry Restructuring, DPU 95-30 (1995); and New Electric Generation Qualifying Facilities, DPU 86-36-F (1988). As explained in the Joint Filing, all have been overruled or superceded by the General Court. St. 1997, c. 164. Further, the environmental agency to which the Order purports to defer, the Department of Environmental Protection (DEP), advises adoption of the Societal Test (Order at 11).

Finally, the Order offers no rationale at all for failing to account for such non-environmental, economic benefits as economic development (Order at 14, 23) and low-income societal economic benefits (Order at 14, 25).

In place of a societal test, the Order offers a Total Resource Cost test which purports to view benefits from a customer point of view (Order at 8, 17, 21). Inconsistently, however, it accounts only for gas and electric costs that are avoidable by their providers (Proposed Guideline sec. 3.3.2(a)) rather than the prices that are avoidable by customers. No rationale is provided for such a pastiche.

The Network submits that the Department should reconsider its Order and adopt the Societal Test.

V. CONCLUSION: THE VALUE OF CONSENSUS

The consensus Low-Income non-energy benefits adder, as specified in the filing of the Joint Commenters, was developed and presented to the Department after the expenditure of considerable research and analysis. Further, cultivating agreement on the adder=s conceptual approach and value among a group of parties with widely diverse, and at times divergent interests, required additional time and negotiating resources on the parts of all parties involved. The adder-related discussion was conducted in an open forum attended not only by the Joint Commenters, but also by Department Staff. Collectively, the Low-Income Advocates, other commenters, and Department Staff spent hundreds of hours in developing the analysis and consensus around the adder.

The Low-Income Advocates are fully aware that development of consensus in technical sessions initiated and sponsored by the Department does not constitute a guarantee that the Department will accept the provisions incorporated into that consensus. However, as was the case in Settlement discussions in other proceedings relative to restructuring of the Commonwealth=s utility industries, parties expend considerable resources in such discussions based on the notions that (1) expense and contention of litigation may be avoided, and (2) the Department has, to a large extent, sponsored the discussions in deference to the collective wisdom of the parties and direct stakeholders to be affected by the decision at hand. In other words, by working to develop a broad, robust consensus, parties assume that expense can be avoided and that approval is likely. Furthermore, a carefully crafted consensus such as that filed in this docket reflects a common wisdom about balances and trade-offs that should not be lightly cast aside. For example, the wisdom that energy efficiency is sufficiently valuable an objective to warrant significant incentives was not lightly arrived at and should be given more deference than the Order accords (at 39).

The Department=s rejection of the consensus Low-Income adder, as well as the general framework for cost-effectiveness testing put forth by the Joint Commenters, has profoundly shaken the Low-Income Advocates= confidence in the Department-facilitated consensus and settlement process that has proven successful in resolving numerous difficult issues surrounding highly complex policy and programmatic matters. We therefore strongly urge the Department to reconsider its Order and Proposed Guidelines in the instant proceeding, and specifically to incorporate into the Guidelines the application of the consensus Low-Income benefits adder as proposed by the Joint Commenters.

WHEREFORE, for all these reasons, Massachusetts Community Action Program Directors Association (MASSCAP), Low-Income Energy Affordability Network (LEAN), Action Energy Inc., and South Middlesex Opportunity Council Inc. (SMOC) (collectively, Low-Income Fuel Assistance and Weatherization Network) urges the Department to reconsider its Order in this Docket and adopt Guidelines that do not require wasteful utility-specific calculation of low-income benefits, refine the goal of assisting low-income customers via efficiency, adopt an all-inclusive definition of low-income customers, and recognize the appropriateness of the Societal Test.

Respectfully submitted,

Low-Income Fuel Assistance and Weatherization Network, including:

Massachusetts Community Action Program Directors Association (MASSCAP),

Low-Income Energy Affordability Network (LEAN),

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